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Part III: Performance Narrative

A. Challenges

Small, land-locked with limited natural resources, Kyrgyzstan has been the most open, progressive and cooperative of the Central Asian republics. Bordering China, Uzbekistan and Tajikistan, it is important to stability in the region and has been a solid ally in the War on Terrorism. That being said, weak governance, continuing poverty, potential ethnic tensions, a porous southern border with Tajikistan and an essentially closed border with Uzbekistan constrain development and are potential sources of conflict that could threaten regional stability and U.S. economic and political interests in Central Asia.

The poverty rate in Kyrgyzstan fell in FY 2001 from 52% to 47.4%. GDP grew by 5% (largely due to gold mining and agriculture), inflation is falling, and the exchange rate is relatively stable. A heavy external debt, weak banks and judiciary, and constrained trade routes threaten economic and political reform and limit growth. Agriculture and small manufactures offer some potential. However, notwithstanding Kyrgyzstan's early accession to the WTO, markets and trade will remain limited until borders and transport are less fettered. Technical assistance in Kyrgyzstan is critical to the government's meeting of the structural reform that must be achieved for continued IMF support.

Kyrgyzstani NGOs, civic organizations and media are increasingly vocal and have influenced government policy and legislation. Parliament is an increasingly active and responsive legislative body and is trying to check government authoritarianism; local governments are also becoming more transparent and responsive. The presidential and parliamentary elections held in 2000 did not meet international standards, although the 2001 local elections in over 460 villages and cities represent the first direct local elections in Central Asia.

Progressive senior Kyrgyzstani officials have been able to initiate major reforms of the Soviet-style health system and more recently reform of the educational system. However, only a few of these reforms have had nationwide impacts. Kyrgyzstan is decentralizing its health system and improving primary care, and is addressing critical health issues such as HIV/AIDS, in an open and direct manner. However, government-provided social services, critical to maintaining public support for reform, are still undependable and inadequate. While educational reforms have started, Kyrgyzstan's educational system is in a poor state, still characterized by misinvestment and corruption.

Kyrgyzstan's location at the headwaters of major river systems in Central Asia give it a critical role in sensitive regional issues such as irrigated agriculture, electricity generation, and the environment of its larger downstream neighbors. These countries depend upon Kyrgyzstan's infrastructure and management of water resources to ensure timely agricultural water supply; and Kyrgyzstan depends on these water resources for a large portion of its electricity requirements. Consequently, Kyrgyzstan, in cooperation with the other Central Asian republics, must manage its water resources in the most sustainable and responsible manner possible.

B. Program Performance

116-0120: Increased Soundness of Tax and Budget Policies and Administration

USAID's consistent success in increasing the soundness of tax and budget policies and administration has been notable. USAID's fiscal reform program continued to make important contributions to overall economic stability and growth. By helping to increase government revenues and the efficiency of public expenditures and by making government more responsive to public demands, USAID's work in fiscal reform helps expand economic opportunities and reduces the potential for conflict. This work was key in the achievement of IMF loan conditions. While the this program directly benefits government officials, the corollary effects of their training serve the citizenry through better public services, more transparent and equitable tax collection, and better public expenditure processes.

While tax revenue growth did not meet original targets, revenue did increase significantly, reaching 12.9% of GDP (preliminary estimate provided by GOK) at year's end. Tax revenues have not yet rebounded from

the financial crisis of 1998. A new agreement between the IMF and the GOK has lowered the tax revenue target to 15% of GDP by 2004. The Program Budgeting indicator exceeded the target. On the whole, the GOK's commitment to sound tax and budget systems made USAID's assistance highly effective in bringing about numerous positive reforms in the fiscal area.

Lower level results were mixed. The Tax Code and Administration indicator met expectations, while the Budget Development and Execution indicator outperformed predicted success. Because the GOK did not commit enough to intergovernmental finance to implement meaningful reforms, USAID provided little assistance, and this area short of its target.

USAID-supported reforms provided numerous benefits to entrepreneurs and citizens by enabling the GOK to more efficiently and effectively use scarce public resources and develop fairer, more transparent tax collection and public expenditure processes. A less burdensome tax regime helps stimulate greater investment and economic growth. USAID's Economics and Business Education Network (EdNet) helped ensure the sustainability of reforms by teaching youth modern economics and business principles.

USAID advisors played a key role in the government's decision to implement budget instructions requiring agencies to prepare program savings options for government consideration. Advisors were instrumental in developing and fully implementing the former Soviet Union's first-ever Letter Rulings Database, which will compile decisions made by the tax authorities in response to taxpayer inquiries and will improve transparency and bring about greater consistency in decisions. Technical advisors also played a pivotal role in developing a new patent tax system that is now operational and will generate approximately 100 million som (\$2 million) per year in revenues.

Joint efforts of USAID's fiscal and democracy programs have brought more transparency to the budget approval process, improving both the quality of budget analysis by Parliamentarians and the quality of the budget itself. The USAID-sponsored Parliamentary Fiscal Analysis Unit provided current budget statistics and analyses, allowing the legislature to demonstrate how more informed decisions can bring about stronger reforms. Following public hearings on the 2002 budget, USAID received the Budget Committee's commitment to hold public hearings at least quarterly and to introduce full public disclosure of all budget information on the Internet. At the local level, USAID has helped successfully convert Osh and Jalal-Abad oblasts and over half of Bishkek's agencies to program budgeting.

At the request of parliament and government leaders, USAID collaborated with other donor organizations to bring about greater transparency and accountability. USAID gained the UNDP's commitment to provide specialized technical assistance to develop a website that provides access to and improves transparency of the country's budget. The website provides information on the 2002 budget, including details of resource allocations by agency and revenue by source. USAID helped the GOK develop more realistic revenue projections for the 2002 Budget and devise a set of revenue raising proposals aimed at closing the projected fiscal gap that was created by the introduction of major tax rate cuts earlier this summer. USAID will participate in the meetings that will lead to the negotiation of the next IMF loan to Kyrgyzstan.

On balance, USAID met expectations. Marked improvements in budgeting, tax policy and program budgeting demonstrated the need to begin graduating those portions of the fiscal reform program, thereby setting the stage for the implementation of an exit strategy in FY 2003 and focus on fiscal reforms at local levels.

116-0131: Improved Environment for the Growth of Small and Medium Enterprises (SMEs)

Developing the environment for SMEs is a cornerstone of USAID's assistance strategy for Kyrgyzstan. A strong SME sector fuels economic growth and job creation, helping ensure that the benefits of growth are widely shared. Training youth in modern economics and business and expanding economic opportunities help reduce the potential for social tension and conflict. Despite Kyrgyzstan's commitment to reform, its weak government and significant trade barriers continued to choke off investment, reducing the impact of reform efforts and limiting economic growth. Nonetheless, the operating environment for SMEs did improve.

USAID provided numerous benefits to entrepreneurs and citizens of Kyrgyzstan. Through training and educational initiatives to universities and entrepreneurs, USAID provided modern knowledge and skills to those seeking to succeed in the free market economy. Legal and regulatory reforms helped improve the investment climate by increasing public awareness of the law, more transparent law making, and a less burdensome regulatory framework.

USAID helped improve the investment climate and the environment for SME growth. Our chief indicator, a Business Environment Index that measures many diverse aspects of the SME environment, surpassed its target. Through organization of and participation in the Investor Roundtable, which includes the President of Kyrgyzstan and the U.S. Ambassador, and through its role in the Secretariat, USAID worked to remove existing trade barriers, stimulate foreign investment, and foster a more favorable climate for SME growth. At this stage, it is unclear whether the Secretariat will ensure that necessary reforms are implemented.

USAID's Business Advisory Services (BAS) provided entrepreneurs with a wide range of technical assistance to solve everyday business problems and improve strategies to increase profit and expand business. The index measuring access to business information, knowledge and skills exceeded expectations. One of BAS's many beneficiaries was entrepreneur Sergei Andrushenko, who operates a flourmill in Chui oblast. After USAID's business advisors linked Mr. Andrushenko with a list of possible suppliers of high quality wheat from Kazakhstan, he teamed with other local mills to import 23 train cars (1,610 tons) of wheat, of which Andrushenko took 280 tons. This venture led to Andrushenko's long-term contract with a bakery to supply 10 tons of flour a month. With USAID support, Israel's Center for Cooperation (MASHAV) delivered business consulting to an additional 652 agro-enterprises on an array of topics from business strategy to stock breeding.

USAID offered university faculty and students additional access to educational tools useful in a market economy. In its first year of existence, EdNet was joined by 29 universities and sponsored training in business and economics for 61 professors, (86% women). Over 700 students in Kyrgyzstan have been exposed to improved economics and business education. USAID also worked with organizations like Eurasia Foundation and Transparency International on educational and anti-corruption issues. Regional funding supported the EdNet grant competition so that approximately 25 winners can further their economics research. A new law on education, drafted with USAID assistance, includes provisions for boards of trustees, accreditation and independent testing. USAID is assisting with the development of a national merit scholarship test to help the ministry reduce corruption in the education system.

Development of the accounting profession and the application of international standards are critical to corporate governance and sustainable business growth. Kyrgyzstan continued to lead the former Soviet Union in accounting reform, adopting National Standards of Audit and Accounting that are fully compliant with international standards. The Ministry of Education committed to adopting a global model accounting curriculum at its universities. USAID will provide training and use regional funding to support the licensing, translation and printing of modern textbooks. Four accounting associations united as one to become a member of the International Council of Certified Accountants and Auditors (ICCAA). ICCAA, with members throughout Central Asia, Russia and Ukraine, is establishing an internationally recognized education, examination and certification program, developed by USAID, in the Russian language. This internationally recognized program will contribute to regional professional and economic development and help stimulate increased regional trade and investment.

USAID's index measuring the responsiveness of financial institutions, instruments and markets fell just short of targets. Corruption, mismanagement and the National Bank's limited enforcement ability caused the banking sector to shrink during FY 2001. USAID designed a certification program for banking supervision department personnel and helped implement an IMF-designed rapid response program for problem banks. Advisors also helped develop draft legislation for micro-credit lending institutions. FINCA's client base reached almost 150,000 clients (88% women), disbursing almost \$35 million since its inception. Mercy Corps and FINCA provided separate small enterprise loans averaging \$3,000. The Bai-Tushum Foundation disbursed 514 loans to agro-enterprises in its first year of operation and has a 97% payback rate.

We also met targets with regard to improving the legal and regulatory environment. USAID helped consolidate the number of business license categories from 62 to 29 and facilitated the adoption of flat fees for licenses, significantly reducing opportunities for corruption. Proposed regulations affecting SMEs now undergo mandatory review, comment and cost-benefit analysis. USAID experts helped design Kyrgyzstan's first joint Tax-Customs audit and inspection teams. USAID continued to provide post-WTO accession support to the GOK. Kyrgyzstan became the first country in the FSU to permit the sale and purchase of agricultural land. Through television, radio, and more than 2 million pamphlets distributed on land rights (in Kyrgyz, Russian and Uzbek), USAID urged landowners to seek information about their rights. Detailed presentations were made in over 1,800 villages to more than 142,000 participants. To help reduce potential conflict in the area, USAID supported three Legal Assistance Centers in Osh that provided advice to nearly 1,000 rural citizens in FY 2001, helping them to resolve their land-related disputes peacefully. USAID also assisted in the development of a draft water law.

USAID helped draft the national Comprehensive Development Framework that will guide future economic and judicial reforms. USAID advisors helped complete commentaries on the Tax and Civil Codes and published the first four volumes of a compilation of Kyrgyz law. USAID also established the country's first database of judicial opinions. A USAID-assisted Judicial Advisory Commission is carrying out wide ranging reforms, including a review of the judicial appointment, dismissal and compensation processes.

Eurasia Foundation made 14 grants totaling \$250,000 to help entrepreneurs expand their businesses and to provide greater access to modern business information and tools. USAID also delivered a wide range of volunteer technical assistance, including Farmer-to-Farmer, business consulting and business association development.

Overall, USAID's support of the private sector was successful. Significant reforms must take place within the government before the full impact of technical assistance can be realized. In conjunction with the World Bank, EBRD, IMF, and through its participation in the Investor Roundtable, USAID will continue searching for ways to improve the investment climate and stimulate business growth. USAID will encourage the adoption of legal reforms that will improve the National Bank's authority and will evaluate the environment for future assistance to the National Bank. USAID will work to harness Kyrgyzstan's agricultural potential by focusing on agro-processing and will assess the prospects for a financial markets activity.

116-0161: Improved Management of Critical Natural Resources in Kyrgyzstan

Regional water cooperation is important to U.S. strategic interests. Snowmelt from the mountains of Kyrgyzstan is the primary water source for the Syr Darya River, which drives Kyrgyzstan's hydropower facilities and irrigates much of the agricultural lands of Kazakhstan, Kyrgyzstan and Uzbekistan. Equitable sharing of water resources is critical to economic growth and to maintaining harmonious relationships between the downstream and upstream republics. A major drought began in the summer of 2000, heightening interstate tensions over the equitable allocation of water. The drought, continuing into its third year, has severe impacts on the livelihoods of the people of the Aral Sea basin. Good management of water and irrigation systems is critical to Kyrgyzstan's agricultural sector and overall food security.

In FY 2001, USAID took a number of steps to restructure our program in Kyrgyzstan. We developed a number of designs for low-cost demonstration models for on-farm water management, heating efficiency, winterization of public buildings, and small-scale hydro-power facilities that will substantially increase USAID's public exposure in the coming months. We launched a new regional transboundary initiative to expand and improve water activities. Our modest program met its goals overall, focusing primarily on improving collection, analysis and management of hydrological data and secondarily on educating consumer advocacy groups. We scaled back our previously robust efforts in the energy sector because of the government's reluctance to carry out privatization plans set forth under the World Bank program. Kyrgyzstan has been poised now for years to make major advances in energy sector privatization. Unfortunately, the government has not yet followed through with anticipated reforms.

USAID has had one qualified success of significance in the energy sector: the GOK adopted an action plan to privatize the state energy monopoly, which was developed as a direct result of USAID-sponsored

training that introduced energy officials to market-based rules and regulations, tariff methodologies, and the appropriate role of utility regulators. Implementation remains to be seen. The state energy monopoly recently held Kyrgyzstan's first-ever energy utility public hearing to review an application for new natural gas and electricity tariffs. Privatization activities have otherwise essentially been phased out. In the future, should the government take significant steps to implement reform in the energy sector, we may resurrect assistance in this area. Public commitment activities have been more successful in Kyrgyzstan than in neighboring republics, especially where energy policy is concerned. The first-ever public hearing was held to solicit public input regarding proposed changes in tariffs for natural gas and electricity.

This program works directly with Kyrgyzstan's energy and water officials and officials of the hydro-meteorological service and the Kyrgyz Scientific Research Institute of Irrigation. The citizens whom they serve ultimately benefit from their broader, better-applied knowledge base.

In FY 2001, USAID's water sector initiatives in Kyrgyzstan were two-fold: upgrading data monitoring systems for water allocation decisions and training to use and apply this data in transboundary and national water management decisions. We are well on the way to improving the collection of hydro-meteorological data. Training for local laborers and water managers led to the installation of the first of several World Bank-financed stream-monitoring stations in Kyrgyzstan. Two others are to come online in early 2002. The data will serve as input to develop bilateral agreements, as part of the transboundary water initiative, between Kyrgyzstan and Kazakhstan on cost sharing for upstream infrastructure, which is of common interest and benefit to both republics.

The data management component was expanded substantially beyond what was originally envisaged, due partially to: 1) the poor state of data collection in the region since the collapse of the former Soviet Union; 2) the effectiveness of data management in encouraging cooperation between the republics; 3) the ability to "piggy back" on the efforts of the Swiss Aral Sea Mission and the World Bank to increase the impact of limited funds; and 4) the necessity for this data to support our other activities in the water sector.

USAID's regional training program couples classroom learning with practical application of policies and technologies in the field. Progress has been made in introducing new concepts in transboundary and national water management and managing hydro-meteorological data. As a follow-on to USAID training, the Kyrgyz Scientific Research Center of Irrigation developed its own website, which provides local government units and the public with access to a database of water sector laws and analytical reports. Training activities have been effective in preparing consumer advocacy groups to participate in the tariff regulatory process.

A demonstration model for managing canal flows in an irrigation district had to be redesigned farther downstream to better suit Kyrgyzstan's somewhat unstructured irrigation management system. Under the NOAA snowmelt monitoring activity, a river sub-basin was calibrated as a demonstration for application by the hydro-meteorological service of stream flow forecasting throughout the country. The World Bank-financed stream monitoring stations, coupled with our soon-to-be installed meteorological stations and our stream flow forecasting model, constitute a major improvement in environmental monitoring in the Syr Darya river basin.

The Central Asian Economic Commission (CAEC) and the International Fund for the Aral Sea have proven ineffective regional organizations in transboundary water cooperation. The four member countries recently abandoned the CAEC, and their respective presidents have decided to establish a new Central Asian Cooperative Organization. USAID will need to establish early contacts with the new regional organization and attempt to mold it into a viable entity. Any future work in Kyrgyzstan toward transboundary water management must focus more on building cooperation with individuals in the national ministries, especially the Ministry of Agriculture, Water and Food Processing, which play leading roles in establishing transboundary water policies.

The Livestock Collaborative Research Support Program is researching the impact of management changes to pasture areas on carbon levels in the soil. Good progress has been made in increasing the skills of agricultural researchers working on the project.

116-0211: Strengthened Democratic Culture Among Citizens and Targeted Institutions

Kyrgyzstan has been Central Asia's darling of democracy since independence. Beginning with general and presidential elections held last year, however, Kyrgyzstan has been on a downward spiral, with government clampdowns on the political opposition to eliminate competition in elections and attempts to stifle independent media and civil society. Fortunately, there has been enough progress in building the basic foundations for democracy that it is not easy for the government to close that door. Many of USAID's partners are keeping the door open, but the environment in which they operate is increasingly difficult.

Overall, USAID met its goal in Kyrgyzstan. Polling data indicate that 42% of the population exhibited civic consciousness and activism, our primary indicator for this SO. Data show that NGOs are stronger and more sustainable organizations, especially in the areas of advocacy and service provision. Media focus group data ranks Kyrgyzstan highest in Central Asia in the existence of legal and social norms aimed at protecting freedom of speech and access to information. Kyrgyzstan also ranked higher than the other countries in providing the general population with access to multiple sources of objective and reliable information. The number of students participating in the USAID-supported civics education program did not meet its target, due to unanticipated problems with the development and translation of the textbook. The program is on track for this academic year.

The beneficiaries of this SO are citizens, students, local communities, NGOs, independent media and the judiciary. Citizens ultimately benefit through better services from NGOs, the judiciary, and local communities and have balanced news and information about their rights in a democratic society. Students gain a better understanding of the workings of a democracy and can peacefully advocate for change. NGOs directly benefit through financial support and training that strengthens their capacity and sustainability. Media outlets receive equipment, programming and technical assistance that enable them to improve their programming and business operations. The judiciary benefits through strengthened capacity as an independent branch of government.

USAID support for the non-government sector in Kyrgyzstan produced important results this year. A network of eleven Civil Society Support Centers was completed and provided services to over 1,300 NGOs and community based organizations. USAID partner NGOs led the public outcry over proposed legislative amendments that would have restricted NGO activities, in particular their ability to raise funds, conduct philanthropic activities, and register as legal entities. NGOs banded together and successfully lobbied the government to rescind the proposed restrictions. NGOs also successfully lobbied parliament to make changes to draft legislation on key bills, including those on the Ombudsman and on local self-government. While our program has strengthened NGOs in Kyrgyzstan, the unfavorable tax regulations, economic and regulatory regime continue to inhibit long-term NGO sustainability.

USAID assistance to reform-minded parliamentarians led to parliamentary hearings that included the participation of NGOs, media, and citizens. Hearings were held on the media and Ombudsman laws, and the first-ever public hearing on the national budget was held in Kyrgyzstan. As parliamentarians become more comfortable with the value of citizen input, public hearings are increasingly common. Parliament is becoming more independent as evidenced in the revisions it made to the government's amendments to the election code, which made local elections more democratic. USAID rallied to support local elections by drafting, printing and distributing flyers. NGOs that received training on conducting candidate debates sponsored debates in critical constituencies. Through USAID efforts, voters were able to make an informed decision when casting their vote.

Government harassment of independent media continues, and many media outlets have had lawsuits brought by government officials. A government operated printing house continues to abuse its monopolist position in the newspaper printing market. Numerous incidents in which the printing of newspapers was either delayed or cancelled due to "technical" problems have been reported. Yet, independent media continue to push the reform envelope. With USAID-funded technical assistance, television and radio stations have been re-registered. As

part of a Eurasia Foundation grant, USAID's media partner hired an experienced attorney to represent journalists. In a breakthrough for freedom of speech, the attorney defended a Jalal-Abad journalist, who was acquitted of criminal charges.

USAID produced significant results in its cross-cutting efforts in gender, anti-corruption, conflict mitigation and youth. National anti-trafficking seminars supported by USAID led to the formation of a working group under the Kyrgyzstani Secretary of State, and a Plan of Action is currently under consideration for a presidential order. The Minister of Interior recently signed a UN Protocol on trafficking in persons. USAID support led to a "youth against corruption" campaign sponsored by law students in Osh. USAID recently bolstered its NGO development program to provide additional resources in the troubled region of Batken in the south.

The Ministry of Education signed an MOU with a USAID implementing partner to introduce a civics education textbook and curriculum reform. Design and translation problems slowed down the initial development and testing of the textbook, but pilot testing was recently completed in over 20 Kyrgyz schools. Based on the results of this pilot effort, the Russian language edition of the textbook is in 53 schools and the Kyrgyz language edition is expected soon. The pilot will expand to over 100 schools in FY 2003. The 434 student participants in extra-curricular civic activities (student local government days, democracy summer camps and student action committees) learned how to be active in solving social issues and how to constructively engage in the political and social life of their country.

116-0230: More Effective, Responsive, and Accountable Local Governance

Strengthening local government results in better allocation of public resources that is responsive to citizen needs. USAID helps enfranchise citizens, giving them a stake in their communities, particularly in the south, where our program is very active and Islamic extremism most threatening. While USAID experienced notable success in local government projects, the GOK showed no interest in adopting USAID's recommendations on the self-government law. As written, the present law does not provide a clear division of local government's functional responsibilities, and is simply a codification of existing arcane regulations.

USAID met its goal for this SO. While Kyrgyzstan is in the infancy of decentralization, the government has accelerated its move in that direction. Due in part to improvements in local government, there was a marked increase in the public's confidence in local government last year. Public poll data revealed that public confidence in local government doubled since 2000. Municipal governments benefit directly through training and technical assistance that improves their capacity to deliver services to citizens. Citizens ultimately benefit from better services provided by local communities and municipal governments and have greater say in how local resources are spent.

This year, SO 2.3 will merge with the democracy SO, allowing for greater integration and coordination between democracy programming and local government activities. Ongoing activity levels will not change. USAID will have greater latitude to replicate some of Kyrgyzstan's local government successes throughout Central Asia, and new wording will allow for expansion of similar activities to other "public institutions," rather than strictly to local governments.

The GOK passed landmark local government legislation with USAID assistance. Kyrgyzstan acknowledged all 22 cities in the country as self-governing, allowing cities to have their own budgets and providing them with more decision-making discretion. Previously, only 11 cities held this status. New legislation on property and property tax provide additional revenue sources and permit local governments more control over their own budgets. These laws, drafted with USAID technical assistance, provide cities with opportunities to further decentralize. Perhaps most notable, Kyrgyzstan mandated the direct election of mayors for villages and some cities in October 2001, and the first direct local elections of mayors took place that December. USAID-supported organizations led the cry for directly elected local governments as a key condition for the country's decentralization. As a result, the undemocratic provisions and stringent candidacy requirements were removed from the local election code. While this was a step forward for democracy, some of our key local counterparts lost their seats.

One significant activity developed by USAID was holding public hearings on local budgets. USAID worked with financial departments to develop budget-in-brief documents, and trained local council officials and local NGOs on the budget and how it reflects policy priorities of local governments. Public budget hearings were mandated by presidential decree, widening opportunities for meaningful citizen participation. USAID technical assistance brought about 16 public budget hearings in 11 cities. Better understanding of budget planning and execution prompted local elected councils to increase their responsibilities in policy-decision making.

In FY 2001, USAID assistance led to an increase in the number of associations from 222 to 300, bringing the total of units in the country to over 40,000. Condominium associations act as community-builders and schools of democracy since residents take personal responsibility and initiative for their living environments. These associations also allow members to elect leaders and to hold their public representatives accountable for their policies. USAID helped to create three regional associations in Osh, Jalal-Abad and Bishkek, which play a greater role in promoting condominium associations in Kyrgyzstan.

A USAID-sponsored a seminar on real estate economics for selected officials from Kyrgyzstan's twelve southern cities which oriented them to the real estate market and the role that the city can play. After attending this seminar, the mayor of Osh held a special meeting with senior staff to review the seminar materials and to revise the city's regulations for the sale and lease of land parcels. The impact was immediate. In the city's previous auction of land parcels, no parcels were sold. After the auction procedure was revised, ten bids for land parcels were offered, and four parcels were sold.

The exchange program between Naryn, Kyrgyzstan and Great Falls, Montana helped develop a technical blueprint for Naryn's solid waste management system. As a result of the partnership, Naryn was exposed to modern waste management practices, a Naryn student studied at Great Falls University, and Great Falls raised funds to purchase a garbage truck for Naryn.

By introducing more effective and transparent financial and budgeting systems, USAID helps reduce the potential for corruption. Competitive auctioning procedures for communal property and our community grants program, which introduces transparent and competitive procurement processes, also reduce the potential for corruption.

116-0320 Increased Utilization of Quality Primary Health Care in Select Populations

Kyrgyzstan is a small country with a shaky economy and very poor people. Yet, its healthcare system has become a model for the region, and step-by-step reforms continue unabated. The Ministry of Health (MOH) is maintaining a leadership role, emphasizing cost-effectiveness and listening to the Kyrgyz people. Design of new programs is based on the population's needs and expressed views, as well as expert advice.

Overall, performance under this SO exceeded its planned targets, most notably in the percentage of population choosing primary health care (PHC) practices over specialty polyclinics and in more transparent hospital fees, achieved through successful introduction of co-payments in two oblasts. According to official MOH statistics, infant mortality has gradually decreased from 31.9 per thousand live births in 1993 to 22.6 in 2000 (2001 statistics are not yet available). Over the same time period, infant mortality in Issyk-Kul oblast, which has the longest experience in the country with health care reform and USAID assistance, declined by almost half (from 34.3 per thousand live births to 18.1), and is now the lowest rate in Kyrgyzstan. Health care has obviously been strengthened at the community level in access, choice, quality and range of available services with key achievements detailed below. The World Bank Health II loan agreement will significantly enhance GOK and USAID efforts to continue restructuring the health care system. Beneficiaries of USAID's health activities include the general population, particularly women and children, tuberculosis (TB) patients, primary health care doctors and nurses, and TB and laboratory specialists. Regional funds were used to support HIV/AIDS and other infectious disease activities, as well as development of a field epidemiology training program.

Kyrgyzstanis are increasingly receiving outpatient care from PHC practices, rather than specialty polyclinics that previously dominated. **Nationwide, PHC's outpatient visit share increased from 16%**

in 2000 to 42% in 2001. This change is partly driven by formation of 348 additional PHC practices in south Kyrgyzstan, powerful evidence that the health reform process is extending out from pilot sites there. However, the visit share has also increased in oblasts where health reform is well established. Currently, 38% of Kyrgyzstan's population voluntarily enrolled in PHC practices and choose their own family doctors. By 2003, this should increase with expansion of PHC reform in the south. People are selecting their caregivers among better-qualified physicians and nurses, as **48% of all PHC doctors and 22% of all PHC nurses in Kyrgyzstan have now completed standard retraining courses.** Asel Kurenkeeva, enrolled in a PHC practice in Issyk-Kul Oblast, explained her experience with PHC: "My children frequently have health problems, and I take them to my family physician. She is competent and knowledgeable. I trust her. When I had a gynecological problem, she examined me herself, but consulted a gynecologist. I heard that my family doctor's diagnosis was correct."

Baseline results from nationwide monitoring of PHC practices indicate that only 25% currently meet minimum standards on clinical and management training, equipment, physical structure, access to laboratory, drugs, and clinical and financial information systems. However, established practices more often meet minimum standards (48%) than new practices (8%). Although PHC services include reproductive health care, a nation-wide shortage of contraceptives has limited otherwise promising reproductive health programs.

With the introduction of hospital co-payments in Issyk-Kul and Chui Oblasts, people are paying less than they previously paid under-the-table. Hospitals are using this new source of funding to procure drugs, supplies and food for patients. A marketing campaign ensured that people were well informed about the co-payment introduction and had opportunities to give their opinions to the government about this change. Initial reaction to co-payments was positive, except for hospitalizations for childbirth. The MOH responded to this criticism by exempting childbirth from the new payment program. The two oblasts in the vanguard of health finance reform have also been able to increase funding to PHC by approximately 5%, through efficiencies gained by combining health care funds at the state level from different sources.

Alexey Latfulin, a pensioner, explained how changes in the health care system have affected him: "I have experienced positive changes as a patient. I have a family physician. She is very attentive and competent and saved my life twice by correct diagnosis and referring me to the hospital for surgery. At the Issyk-Kul General Hospital, I was served free of charge because I belong to the category with social benefits. I didn't have to bring my own bedding as I had to before. I didn't buy any drugs myself. Food was also free and better than before."

Since 2001, USAID has been providing nationwide assistance to the MOH on TB control and the use of the World Health Organization (WHO)-recommended Directly Observed Treatment, Short-Course (DOTS) strategy. Although TB mortality decreased by 5.6% (from 13.4 per 100,000 in 1995 to 12.6 in 2000), TB incidence increased by 40% (from 72.4 per 100,000 population in 1995 to 121.1 in 2000). This prompted Kyrgyzstan's request for USAID help to strengthen DOTS clinical and laboratory training and monitoring of the program. To assure the program's quality, USAID supports an expatriate TB educator in Bishkek. Baseline results on TB laboratories and facilities indicate that 56.8% of laboratories and 63.6% of facilities currently meet minimum standards.

USAID is strengthening the Infectious Disease Reference Laboratory and the viral hepatitis sentinel surveillance system in three pilots. This system now allows Kyrgyzstan to estimate viral hepatitis incidence and proportionality for hepatitis A, B, C, D, and E through quality assured laboratory diagnostics; and to verify Hepatitis B virus (HBV) immunization effectiveness in newborns. Hepatitis B vaccination of newborns began in May of 2001 through GAVI with 57.4% of children less than one year of age completing three doses of the vaccine.

USAID is strengthening the organizational development, strategic planning and community outreach skills of six health sector NGOs, both professional associations and community-based organizations. Such NGOs can promote quality standards in health care and advocate their communities' health needs. One NGO received a community action grant to purchase surgical equipment for a hospital to increase its income by introducing some chargeable procedures. Kazakhstani and Kyrgyzstani PHC-focused NGOs have formed a Central Asian coalition to facilitate exchange of best practices.

The partnership between the Kyrgyz State Medical Academy, the University of Nevada School of Medicine and a new partner, the University of South Florida Health Sciences Center, is developing PHC education for physicians, nurses and administrators. Innovative teaching approaches and new courses in family medicine and administration are benefiting 300 undergraduate students. The people of Kyrgyzstan will also profit from well-trained physicians completing Kyrgyzstan's new family medicine residency program, designed through a collaborative effort with these partners and the Post-Graduate Institute. Fifty medical school graduates are currently enrolled in this program.

USAID has developed a strategy to combat the spread of HIV/AIDS in Central Asia based on prevention and control efforts within high-risk groups. USAID funded a study tour for government officials to a model Harm Reduction site in Lithuania; conducted a Central Asian Condom Social Marketing Assessment and Workshop; and held the Central Asian Initiative Conference on the Prevention of HIV/AIDS/STIs in collaboration with UNICEF and UNAIDS. In December 2001, USAID and the Soros Network established a joint program with the expectation of extending preventive activities to currently unserved populations, such as injection drug users, sex workers and prisoners. In addition, USAID will support a condom social marketing program.

116-0420: Crosscutting Programs

USAID/CAR's crosscutting training program and Eurasia Foundation (EF) small grants to civil society, business education and media NGOs serve all six SOs. In FY 2001, USAID trained over 1500 Kyrgyzstani citizens, (nearly 50% women) in small enterprise development techniques for entrepreneurs, tax and budget policy development, and management and technical training for health workers. An important hallmark of USAID's training program is its regional nature, which allows colleagues from across borders to share lessons learned and, where relevant, develop cooperative solutions to common problems. Energy sector officials from all five countries, who participated in two study tours in the U.S., were exposed to power pool models and examined power pool governance, energy and capacity marketing, reliability issues and restructuring. Afterward, they developed a model to create a regional wholesale electricity market. Training supports and complements USAID's other crosscutting objectives of youth and education, rule of law and anti-corruption, reducing gender bias, and conflict prevention. The beneficiaries represent a broad cross section of society, including government ministers, heads of businesses and NGO leaders, and citizens committed to reform in their areas of expertise. This crosscutting program has gained importance in light of September 11, which underlined the need to focus even more on conflict prevention in Central Asia. USAID initiated its Peaceful Communities Initiative in Ferghana Valley in September 2001, but it is too early to report any results for FY01.

As a result of condominium management training, the chairman of Our House broadcasts an informational discussion on condominiums over state radio every two weeks to help people understand the benefits of pooling their resources to maintain their apartment buildings. After participating in a seminar for senior bank supervisors, the head of the National Bank Inspection Department developed a new user friendly format for commercial bank activity reports. The new approach has allowed the Inspection Department to analyze and evaluate commercial banks in a more logical and effective manner, leading to better credit regulations. The head of the Department of Medical Assistance, Organization, and Licensing attended a regional health seminar on Integrating Maternal and Child Health Care. His department trained medical personnel as general practitioners and family medicine specialists and introduced new market-payment systems in two pilot regions. The general public was encouraged to enroll in the family group practice of their choice and participate in public health activities organized by NGOs.

EF's 27 grants to Kyrgyzstani NGOs in FY 2001 (average grant size \$18,000) supported private enterprise development, civil society and public policy and administration. In FY 2001, Eurasia grantees helped to start 186 new businesses, defended citizens' rights with more than 233 legal consultations, purchased more than 2862 books for universities, and added 16 new courses for curricula in Kyrgyzstan's leading universities.

**Table 1: Annual Report Selected Performance Measures
KYRGYZSTAN**

December 3, 2001

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors
Pillar I: Global Development Alliance: GDA serves as a catalyst to mobilize the ideas, efforts, and resources of the public sector, corporate America and non-governmental organizations in support of shared objectives					
1 Did your operating unit achieve a significant result working in alliance with the public sector or NGOs?	Yes X	No	N/A	FSA	
2 a. How many alliances did you implement in 2001? (list partners) b. How many alliances do you plan to implement in FY 2002?	4: Soros Network; Project HOPE, GAVI, Indiana University 5			FSA	
3 What amount of funds has been leveraged by the alliances in relationship to USAID's contribution?	\$392,000			FSA	
Pillar II: Economic Growth, Agriculture and Trade: USAID works to improve country economic performance using five approaches: (1) liberalizing markets, (2) improving agriculture, (3) supporting microenterprise, (4) ensuring primary education, and (5) protecting the environment and improving energy efficiency.					
4 If you have a Strategic Objective or Objectives linked to the EGAT pillar, did it/they exceed, meet, or not meet its/their targets? (116-0120: Soundness of Tax and Budget Policies and Administration)	Exceed	Met X	Not Met	FSA	
4 If you have a Strategic Objective or Objectives linked to the EGAT pillar, did it/they exceed, meet, or not meet its/their targets? (116-0131: Small and Medium Sized Enterprises)		X		FSA	
4 If you have a Strategic Objective or Objectives linked to the EGAT pillar, did it/they exceed, meet, or not meet its/their targets? (116-0161: Management of Critical Natural Resources)		X		FSA	
USAID Objective 1: Critical, private markets expanded and strengthened					
5 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A	FSA	
USAID Objective 2: More rapid and enhanced agricultural development and food security encouraged					
6 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A	FSA	

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors
USAID Objective 3: Access to economic opportunity for the rural and urban poor expanded and made more equitable					
7 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A	FSA	

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors
USAID Objective 4: Access to quality basic education for under-served populations, especially for girls and women, expanded					
8 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
9 a. Number of children enrolled in primary schools affected by USAID basic education programs (2001 actual) b. Number of children enrolled in primary schools affected by USAID basic education programs (2002 target)	Male	Female	Total N/A N/A		
USAID Objective 5: World's environment protected					
10 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A		
11 a. Hectares under Approved Management Plans (2001 actual) b. Hectares under Approved Management Plans (2002 target)	N/A 1,000				
Pillar III: Global Health: USAID works to: (1) stabilize population, (2) improve child health, (3) improve maternal health, (4) address the HIV/AIDS epidemic, and (5) reduce the threat of other infectious diseases.					
12 If you have a Strategic Objective or Objectives linked to the Global Health pillar, did it/they exceed, meet, or not meet its/their targets? (116-0320: Utilization of Quality Primary Health Care)	Exceed X	Met	Not Met	FSA	
USAID Objective 1: Reducing the number of unintended pregnancies					
13 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No X	N/A	FSA	
USAID Objective 2: Reducing infant and child mortality					
14 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A	FSA	

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors
USAID Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth					
15 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No X	N/A	FSA	
USAID Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries					
16 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No X	N/A	FSA	
USAID Objective 5: Reducing the threat of infectious diseases of major public health importance					
17 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A	FSA	
Pillar IV: Democracy, Conflict and Humanitarian Assistance					
18 If you have a Strategic Objective or Objectives linked to the Democracy, Conflict and Humanitarian Assistance Pillar, did it/they exceed, meet, or not meet its/their targets? (116-0211: Strengthened Democratic Culture)	Exceed	Met X	Not Met	FSA	
18 If you have a Strategic Objective or Objectives linked to the Democracy, Conflict and Humanitarian Assistance Pillar, did it/they exceed, meet, or not meet its/their targets? (116-0230: Local governments)		X		FSA	
USAID Objective 1: Rule of law and respect for human rights of women as well as men strengthened					
19 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A	FSA	
USAID Objective 2: Credible and competitive political processes encouraged					
20 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A	FSA	
USAID Objective 3: The development of politically active civil society promoted					
21 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A	FSA	

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors	
USAID Objective 4: More transparent and accountable government institutions encouraged						
22 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A	FSA		
USAID Objective 5: Conflict						
23 Did your program in a pre-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X			
24 Did your program in a post-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X			
25 Number of refugees and internally displaced persons assisted by USAID	Male	Female	Total N/A			
USAID Objective 6: Humanitarian assistance following natural or other disasters						
26 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X			
27 Number of beneficiaries	N/A					

Table 2: Selected Performance Measures for Other Reporting Purposes - KYRGYZSTAN

The information in this table will be used to provide data for standard USAID reporting requirements

Indicator (all data should pertain to FY or CY 01)	OU Response	Fund Account	Data Quality Factors
Child Survival Report			
Global Health Objective 1: Reducing the number of unintended pregnancies			
1 Percentage of in-union women age 15-49 using, or whose partner is using, a modern method of contraception at the time of the survey. (DHS/RHS)	48.9	FSA	1997 Demographic and Health Survey
Global Health Objective 2: Reducing infant and child mortality			
2 Percentage of children age 12 months or less who have received their third dose of DPT (DHS/RHS)	Male 93.8	Female 96.9	Total 95.3
		FSA	1997 Demographic and Health Survey
3 Percentage of children age 6-59 months who had a case of diarrhea in the last two weeks and received ORT (DHS/RHS)	Male NA	Female NA	Total 43.9
		FSA	1997 Demographic and Health Survey (children < 3 years)
4 Percentage of children age 6-59 months receiving a vitamin A supplement during the last six months (DHS/RHS)	Male NA	Female NA	Total NA
5 Were there any confirmed cases of wild-strain polio transmission in your country?	No		FSA
Global Health Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth			
6 Percentage of births attended by medically-trained personnel (DHS/RHS)	98.1	FSA	1997 Demographic and Health Survey
Global Health Objective 5: Reducing the threat of infectious diseases of major public health importance			
7 a. Number of insecticide impregnated bed-nets sold (Malaria) (2001 actual)	n/a		
b. Number of insecticide impregnated bed-nets sold (Malaria) (2002 target)	n/a		
8 a. Proportion of districts implementing the DOTS Tuberculosis strategy (2001 actual)	100%	FSA	
8 b. Proportion of districts implementing the DOTS Tuberculosis strategy (2002 target)	100%	FSA	

HIV/AIDS Report

Global Health Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries

9	a. Total condom sales (2001 actual)	n/a			FSA	
	b. Total condom sales (2002 target)	25,000				
10	a. Number of individuals treated in STI programs (2001 actual)	Male n/a	Female n/a	Total n/a	FSA	
	b. Number of individuals treated in STI programs (2002 target)	250	150	400		
11	a. Is your operating unit supporting an MTCT program?	no				
11	b. Will your operating unit start an MTCT program in 2002?	no				
12	a. Number of individuals reached by community and home based care programs (2001 actual)	Male:n/a	Female: n/a	Total: n/a		
	b. Number of individuals reached by community and home based care programs (2002 target)	n/a	n/a	n/a		
13	a. Number of orphans and vulnerable children reached (2001 actual)	Male: n/a	Female n/a	Total n/a		
	b. Number of orphans and vulnerable children reached (2002 target)	n/a	n/a	n/a		
14	a. Number of individuals reached by antiretroviral (ARV) treatment programs (2001 actual)	Male n/a	Female n/a	Total n/a		
	b. Number of individuals reached by antiretroviral (ARV) treatment programs (2002 target)	n/a	n/a	n/a		

Victims of Torture Report						
Democracy, Conflict, and Humanitarian Assistance Objective 7: Providing support to victims of torture						
15	Did you provide support to torture survivors this year, even as part of a larger effort?	no				
16	Number of beneficiaries (adults age 15 and over)	Male n/a	Female n/a	Total n/a		
17	Number of beneficiaries (children under age 15)	Male n/a	Female n/a	Total n/a		

Global Climate Change						
USAID Objective 5: World's environment protected						
18	Global Climate Change: See GCC Appendix	n/a				